NEWGEN™

Newgen Software Technologies Limited

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Sub.: Outcome Transcript - Analyst/Institutional Investor Call- Q1 FY'22

Dear Sir/Ma'am,

As intimated earlier through our letter dated 16th July 2021 regarding the Analyst/ Institutional Investor Conference Call of the Company which was held on Tuesday, 20th July 2021 at 4:00 P.M. (IST), please find enclosed herewith a copy of the transcript of the said call with the Investors/ Analysts.

The transcript of the said call shall be made available at the website of the Company under the URL https://newgensoft.com.

This is for your kind information and record.

Thanking you.

For Newgen Software Technologies Limited

Aman Mourya

Aman Mourya
Company Secretary

Encl.: a/a

"Newgen Software Technologies Limited Q1 FY2022 Conference Call"

July 20, 2021

Please note that the transcript has been edited for the purpose of clarity and accuracy.

Ladies and gentlemen, good day and welcome to the Newgen Software Technologies Limited Earnings Conference Call hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani of ICICI Securities Limited. Thank you and over to you Sir!

Thank you, Ayesha. Good evening everyone and welcome to the Q1 FY2022 results of Newgen Software Technologies Limited. I hope everyone is keeping safe and are well. Connecting with me today from the management side is, Mr. Diwakar Nigam – Chairman and Managing Director, Mr. Varadarajan – Whole Time Director, Mr. Virender Jeet – Senior VP, Sales & Marketing and Products and Mr. Arun Kumar Gupta –Chief Financial Officer, and Ms. Deepti Mehra Chugh – Head – Investor Relations. I now hand over the call to Ms. Deepti for further proceeding. Thank you and over to Deepti!

: Thank you, Hardik. Good evening everyone. I am Deepti, Head, Investor Relations, Newgen Software and I welcome you to the Q1 FY2022 financial results. I hope everyone is keeping safe.

Before we move onto the discussion, let me highlight that this call may contain certain forward-looking statements, which concern Newgen's future business prospects and profitability, which are subject to a number of risks and uncertainties, and the actual results could materially vary from the forward-looking statements that are made. Past performance may not be indicative of future performance. The company does not undertake to make any announcements in case any of these forward-looking statements become materially incorrect in future or update any of these forward-looking statements made from time-to-time on or by behalf of the company. For any further details, you may please refer to the investor relations section of our website. I would now hand over to Mr. Nigam for presentation of the results post which we will have the Q&A. Mr. Nigam!

: Good evening everyone and thank you for joining us at our Q1 FY2022 post result conference call. I hope you and your families are keeping safe. I will come straight to the results. We are happy to announce a robust growth quarter. We witnessed accelerated and broad-based growth in revenues and profits in this first quarter.

Revenues were at Rs.160 Crores witnessing a growth of 21% compared to Q1 last year. Revenues across all geography witnessed growth. EMEA which was slow last year witnessed a growth of 57% during this quarter. APAC witnessed a growth of 45% U.S and India grew at 5%. In U.S many of Cloud digital transformation projects are back-ended in nature and thus would take time to reflect in revenues.

As an organization, we are staying focused on tapping the growth opportunities across digital transformation, in enterprises. We understand the urgent need for expediting digital transformation initiative and we are here at every step to help organizations successfully implement these.

We are a reliable and stable partner for these enterprises. We saw continued strength in demand for digital transformation initiative across various segments; banking and financial services, government PSU and healthcare were of the fastest growing segments during the quarter.

We won 11 new customer logos in the quarter notably in Middle East, APAC and UK regions. Some of these logos are in the process of being billed currently. Some notable success stories this quarter include execution of an agreement with one of the leading banks in the Middle East region for supply of software licenses, ATS implementation and other support related services. The total size of the project is $5.9 million which is spread over three years.

We are working with another large financial services group in Finland which is a provider of comprehensive range of banking and insurance services for private and corporate customers. We are also undertaking a project for a federal statutory body under the purview of Ministry of Finance in Malaysia.

As the markets are opening up, we hope to maintain the growth momentum. Our differentiated capability and deep contextual knowledge creates value for our customers as well as our partners. We are continuing our in operations, in a remote working environment as we prepare towards transforming to a hybrid environment moving forward.

We hope an early return to normalcy bringing employees back to office as vaccination gains pace. We have also been supporting them in every way possible whether it is medical and financial assistance or any other form of support.

Customer success has always been our top priority. Our major focus has been on ensuring uninterrupted and quality service services to our customers. We recently concluded our three-day virtual customer event Newgen Connect 2021 where we interacted and engaged

with the customers across multiple locations including India, Singapore, Australia, London, Africa and the United States. We had sessions from the management, industry analysts, our customers and partners where they shared their experience with Newgen and views on digital transformation. We also unveiled our digital transformation platform NewgenONE a comprehensive low code platform that is recognized by the industry. It automates processes using content services and communication management capability. NewgenONE simplifies complex enterprise by business processes and information for superior employee and customer experience.

We continue to invest for growth and work together strengthening our industry recognition and position especially in the mature markets. Transitioning to subscription models - even in the last conference I have been talking about our efforts towards transformation to more stable subscription-based revenues. Our overall annuity revenue witnessed the growth of 20% during the quarter reaching Rs.105 Crores and contributing 66% of the revenue. Our subscription revenue witnessed a growth of 14% and we reached Rs.54 Crores during this quarter.

SaaS revenue witnessed growth of 29% YOY contributing 9% of the revenues. As I had mentioned last quarter, this model is expected to start doing revenue optimization over next few years. We believe that in time we would be able to transform most of our existing customers also into Cloud or on-premise subscription model. This transformation would lead to enhanced visibility and growth in longer term.

Enhancement of product platforms - Globally successful enterprise are relying on NewgenONE to rapidly develop and deploy complex content driven and customer engaging business applications on the Cloud. NewgenONE is natively built, unified low code platform for complex content driven business applications delivering modern customer experiences. These proven industry products have been built overtime and cover the wide areas of content services, process automation and customer engagement.

We continue to make our products more intuitive, robust and comprehensive. We received two additional patent grants during the quarter taking our total patent grants to 20 in India and the U.S. We have granted patent for invention entitled “Online Collaborative Signing of Documents and Methods and Systems for Managing and Archiving Electronic Messages. These patents are part of our core areas of content management, enhancing our product capabilities.

We have been consistently recognized by leading industry analysts over the years. We are happy to share that during the quarter, we are being positioned as a strong performer in Forrester's Wave for "Content Platforms. Q2 2021."

Building powerful Newgen brand and enhancing marketing and sales organization has been our continuous endeavor. We are targeting to invest across growth opportunities this year including strengthening the team, enhancement of our branding and digital presence.

During the quarter, R&D expenses comprise about 11% of sales and sales and marketing expenses comprise 20%. We have enhanced our system integrator relationships through exemplary cases and success stories along with our partners in our target markets of North America, Europe and APAC.

We are targeting Fortune 2000 Enterprises through these partnerships with system integrators. We continue to build acceptance from some of the largest players and their largest customers have chosen our platforms and these system integrators have implemented this solution successfully.

Coming to Profit and margin, our EBITDA was up by 46% YoY at Rs 22.8 Crores and profit after tax was up 137% YoY at Rs. 21.6 Crores. Net cash generation from operating activities was Rs 52 Crores.

As we continue to work on our debtor days our net trade receivables has been reducing and they are at Rs.192 Crores at the end of the quarter which resulted in DSO of 100 days on the back of robust sales and collection. We continue to strengthen our balance sheets and are now ready to make deep investments on various fronts across technology, sales and marketing for long-term growth.

We are being agile, to address the challenges of the current environment and to drive consistent and cash accretive growth over the medium to long-term.

That is all from me. We are now open for Q&A.

Thank you very much. We will now begin the question and answer session. The first question is from the line of Hardik D Sangani from ICICI Securities. Please go ahead.

There are a couple of questions - particularly within U.S. geography just wanted to know have the spends been normalized towards software implementation and deployment especially across medium, small to medium banking and how are they approaching local software platforms now, has there been a particular change in their approach towards

implementing the system? Secondly, last year in FY2021 our travel expenses would have been hardly 1%, 2% of which in normal course is around 8% to 10%, so as developed economies opens how do we see this expense line item going forward? Mr. Nigam earlier alluded to hybrid work environment, if you can uh throw some more light on it? In the earlier quarters, we had mentioned that particularly in India business would recover from second half onwards in this year so is there any material update on the same? I have further questions and I will come back in the follow-up. Thank you.

: Hardik, thank you. Thank you for asking these questions. I will just try to cover and if I understood this you can tell me if I got it right. So about the U.S banking and credit unions out there I think as you understand that we are pursuing direct go to market out there where we are targeting roughly around 1200 enterprises which is banks and credit unions, we are going with solution focus out there and our one of our differentiators is the platform based sales out there where we use our domain knowledge and the low code capability to the platform to deliver these products quickly to those customers that has been one of the differentiating strategy and we are still going strong with that. Our implementation cycles out there have reduced from three years back what used to take around eight months, we have come down to three to four months depending on the kind of solution so that has surely helped our cycles and more and more customers are getting live and they are becoming referenceable. So that is what I understood from the first question. I will cover the rest, on the travel expenses you are right so travel expenses last year was a small part, they had come substantially down. So far for the first two quarters of this year we expect the travel momentum to remain the same as last year so we do not see any substantial increase, but we do expect in Q3 and Q4 there is going to be an incremental travel happening. Having said that I do not think in any time in future in next two three years we will ever be able to reach the travel volumes which we used to do because fundamentally the behavior of doing business also has changed and a lot of things which you used to do onsite now is happening easily remotely right from sales cycles to execution cycles to integration, so that operating advantage will anyway be always in the business now and that will reflect in some amount of gain in margins which you have seen also previously. On the growth as Mr. Nigam said that the growth is broad-gauge, in spite of still what we call restriction due to COVID on travel we are still finding a lot of interest in cases. EMEA has recovered and they have come back strongly. APAC has continued its growth momentum in spite of the COVID situation not being great out there. U.S. we have a strong funnel but we did have some amount of slowdown in some of deal conversion so we expect that momentum to keep on happening and close more deals. So our growth in U.S. and India were more neutral around 5%, but I think India on the first quarter we have been able to hardly do any business on the new logo side but on the U.S. side it is more to do with deferment of the revenue which is slightly back-ended because of the Cloud and Cloud-

based implementation and on the India side you are right I think we have earlier said that India we are not still feeling that it can come to a 20% growth, we are hopeful that over next few quarters as things of COVID stabilize in India we should be able to push the growth rates higher than the current rates, but it is still a story which is unfolding. Hardik does it answer your questions, because there were many.

Thank you. That answers my question. Thank you.

: Thank you. The next question is from the line Ronak Vora from AUM Advisors. Please go ahead.

: First question was, I think you answered in part, so what is specific about the company's business which causes such a large seasonal change for the first quarter relative to the last quarter. Does not look like you have that many government kind of contracts etc., would you mind explaining why there is such a big variation where you know normally the technology services industry, we do not see such large variation.

: Thank you for asking that. You are absolutely right and so the only difference what you have to see, we are a company still where a large part of the revenue is licensed sales revenue and if you look at any company which having license sales revenue there is natural lopsidedness which gets aligned to the financial year either of your customer financial year or your own financial year. That makes Q4 and Q3 slightly larger quarters for us and it has been historically been for last 10 years. In fact Q1 has hardly ever been able to deliver any margins where all the margins were unfolded in Q3 and Q4. As we have started shifting to subscription, Cloud and more sales in mature markets going from the traditional markets, we have seen this lopsidedness reducing and with more and more subscription business and annuity business becoming a larger part, today the subscription and annuity overall becomes roughly around 33% subscription and then with more ATS added, so around 60% of our business is more what we call recurring business. So as this business moves to 75% to 80% you will see that lopsidedness further reducing and we are also doing aggressive shifting in more and more markets, we are going only for subscription sales rather than the jerky license sales and we have made an internal plan in the next couple of years we should be able to smoothen out further. So this is the history of this company. This is the business model and if you look at historical sales, we our smallest quarter has been the Q1 because we have very few licenses out there in Q1 compared to the Q3 and Q4 licensing. I hope that answers your questions.

: Thanks. I think we will just look at the numbers and maybe follow up if there is something. The second question was more in this context of this market you know this light code or

low code environment that you know it does not require that much detail codification of the kind of solution. So if you can give us some sense as to which is the target size of the market that you are looking at with your solution so how large is the market, what is your current kind of share over there, how do you see that scaling up and you know you mentioned your partner who is helping you kind of access that market, now how do you see the working with them and in terms of both volumes as well as economics, how do we share the revenues, etc.?

If you look at the area of low code, it is very wide, so enterprises globally when they are looking at their digital transformation cases, they are they are evaluating low code products and platforms to make sure that they follow very agile and a quick way of getting their solutions out to the market. So the horizontal market space for the low code is very, very wide. Traditionally, we start from the business process management market and content management market which is roughly around $28 billion industry. With digital and low code, they have not been very accurately estimated but people estimate it could be a very, very wide market. So the market for us is, we are dealing in the market wherever customers are looking at complex processes with complex content needs because these are our two very strong areas. We have traditionally been very strong in doing very complex business processes and we are one of the leading companies in the world on content management. So wherever customer's digital projects or transformation projects need these two, we end up being very strong. Now this is across all industries, across all markets and with the global system integrators the initiatives which we have done, they have seen that our products and technologies provide a key differentiation of great value for the customers when they take it. So it will be very difficult to estimate the market size. Right now I think we are not in also the shape of calling that we have a significant percentage of the share. This is a growing market with more and more customers globally seeking to get low code so maybe in one or two years we will have more accurate sizes and estimates of the market. Does it answer your question?

: I had a couple of follow-up clarifications if you could help us, Sir this market that you are talking low code, how is it sold? Is it more as sold as a SaaS or is it like a license or you know how do you put your selling model over there?

All these low code platforms are sold now in subscription model whether it is an in-premise subscription or a cloud-based sales both models exist, so lesser of licensing but more a subscription sale or cloud sale.

: Sir, Global System Integrator, you have partnered with is it sold by them and they do the other kind of integration services of your license or is it something that is sold on the

strength of your products and they are actually more like sales agents, the customer is paying Rs.100 for a combined solution, what part of that to you and how much accrues to GSI?

Generally, this initiative which we are doing with Global System Integrators, we are doing with multiple - three and four of them. We are approaching Fortune 2000 enterprises as a target base because these GSIs have inroads on those customers. The idea is for us we still as a product principle have to do the platform sales. So we go along with GSI sell it to the customers and GSI becomes our implementation partner because of the fact that they have seen successes over the last 5 to 7 years with us using our platforms. For them the revenue can be multiple times because the revenue comes from all the services along with the product as well as global rollouts while our product licenses can be anywhere between 500k to million, to 2 million they could have multimillion dollar service stream build over years around that, so they are the just not resellers, they are the ones who provide the solution, they are the ones who implement this product, we are the ones who is able to sell the license and sell our product out.

Do you have a standard code and you just provide the interface to the customer who's access is based on a Cloud or is there a reasonable amount of customization that you provide?

The platform which we have got has all the ways of building systems over them, people can customize, configure these products, integrate these within the ecosystem what a global system integrator would do as for services and then roll them out so these are single software platforms, the same platform is sold to everybody. So the platform does not change, but the platform provides you framework to configure, customize, and integrate that within the customer's ecosystem. Does that answer your question?

: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

: Thank you very much, Sir. Just wanted to understand if you have given any guidance in terms of growth and margins? That is it from my side. Thank you.

We do not provide any guidance and the only thing we are saying that we have been maintaining a historical growth rate of around 20% apart from this COVID last 5 quarters, and our first aim is right now to come back quickly to that as soon as the market starts reviving or even in the current state it is looking stable so those are the plan. Q1 we have delivered more than 20% growth and in fact constant currency we are more like 23%

growth and with this we are quite confident that we can carry some momentum for the whole year, but I think it is too early days right now to give a guidance on that, we expect this year to be a growth that is the whole idea, this has to be a growth year for us where we should be able to come back to our growth momentum.

: For margin?

I think we have discussed this margin issue many times if you have followed, so last year margins are unsustainable because there were a lot of costs which could not be incurred in terms of optimization, travel, manpower, SG&A cost, but going forward we have always said that they should be expected to be having around 23% to 25% EBITDA margins and roughly around 19% to 20% PAT margins and we should be able to be reach them in short period of time.

: Thank you. The next question is from the line of Rajesh Khotari from Alpha Accurate. Please go ahead.

: Good afternoon, Sir. Sir, is it possible for you to give a little bit more colour in terms of the new client wins for example, in last quarter you won one of the largest fund globally? That is question number one. Second question is over a period of two years, three years, how should we see the breakup between annuity revenue and subscription revenue? Third question is, if it is possible for you to briefly highlight how the subscription model works? Thank you.

Thanks for the question. On the new clients we have roughly around 11 wins and they get spread across places and some of them we also have very large deals from financial institution in Middle East. We have some interesting wins in banking and insurance in APAC and we have also some interesting win coming out of India. So we had a very interesting win coming in Europe through a Global System Integrator - a large group of banks in Finland. So these are broad-based wins and these things do reflect - it is predominantly businesses in banking, insurance, financial services, government and some enterprise. On the two to three year kind of horizon, we are strongly focusing on growing the subscription and the Cloud revenue part of it. In fact, most of the mature markets, 90% of our sales there will be pushed through a subscription-based model. So we expect that the percentage of this revenue will considerably grow in next two to three years, because they have been compounding revenue. It may be difficult to project exactly the numbers but maybe we can if you can contact with Deepti, then she can give you more details about what is going to happen. All cloud /subscription sales are sold predominantly in a consumption based model. So for us the most obvious consumption is PUPM/Per User Per

Month. So customers end up buying this platform and depending on their usage they end up say contracting for 100 users or 500 users or thousand users and they will charge anywhere between $50 and $60 per user per month to $180 depending on the kind of components they are consuming. Does that answer your questions?

: Basically as you move from annuity to cloud your margins basically would improve?

So basically we are trying to move from license to subscription. So both are mechanisms of license sales so their margin profiles are same, but the revenue realization is very different. The revenue realization of license is upfront so it is jerky but on subscription it is more smoothened out, as customer starts using and consuming it is more like a rental so you start paying, but on margin profile they are the same. In Cloud, customers using the same subscription license on cloud then our costs are roughly around 10% or 15% so the margin profile is slightly lesser than the license but it is still a very high gross margin business.

: Understood, basically just trying to understand your business model in your annuity business basically one is your license, whatever number of license you said there is one revenue, second is the maintenance, AMC kind of revenue and that gets featured into annuity, right?

Yes, you are right.

: So once you have the subscription revenue whether that part also would have AMC and that will also reflect part of the annuity revenue?

Exactly, so subscription, Cloud, AMC all reflect in the annuity part.

: Okay subscription also reflects in annuity, understood. So, basically license revenue will reduce and subscription revenue will increase?

Exactly, so the licence revenue may become stable or reduced, but will start pushing and making sure that all those things start coming more and more in subscription.

: Got it. Thanks. I will come back in queue.

: Thank you. The next question is from the line of N G Puranik from Enam Securities. Please go ahead

: I have the question on the low code software. By definition, low code software is built on an agile soft factory model, so we will have large number of apps that are built the APIs that

are built and the idea is to reduce complexity and simplify the whole process of software development and it expands market i think it is the basis and it also creates economies so in the process what happens if you are expanding market in a big way the process of software development expands faster because you learn to create software in much lesser time maybe 1:5, 1:10 so how does that get reflected in your P&L and balance sheet in your field particularly and also the band the total addressable market, will it expand by 5 times, 10 times, is it a big market expansion. So this is a couple of questions also I want to understand how what kind of complexity you face in the enterprise integration?

I will come to market size first as I earlier said low code is very horizontal so it is opening up the market. The market is opening up as all digital initiatives happening in enterprises, do seek low code intervention. Now the digital landscape could be a $200 billion market and this could be a part of it. It could be 10% or 50%, we do not know right now. I think but you are right our addressable market which has been typically around content management, process management becomes very, very wide rather than those areas we end up entering the digital transformation market of portals, channels, mobility everywhere so that does open our market size considerably on that. The other question about what the platform does and how it sits - low code is a new terminology but if you look at traditionally most of us in this industry at the product play, we have been looking at various technologies which typically make whole engineering cycles very participative where business can participate very visual so you have already technologies which are about modeling, which are about quick integration, which are about more visibility, what you see what you have in terms of UI interfaces, so low code is a combination of many, many technologies. Of course, integration is very important in low code so all low code platforms are very strong on the integration side whether they have in-built readymade adapters or they provide frameworks to integrate. So these are you know established areas. I think I would recommend that probably if you can look at Gartner and Forester reports on LCAP you will get much more detail about the overall market size, the Newgen play, our strengths vis-à-vis competition and where we can play and also about how integration plays on that. Did I leave any part of your question?

: How quick would be this software development process?

Let me try to answer that, generally what happens in low code the spectrum, the enterprises could have an overnight need of launching a particular service, so you could do something in 24 hours and you may be trying to reimagine your insurance or claim process, which could take months, but broadly the idea of low code is that you should be able to condense substantially, you should be able to respond to customers and markets and competition at a speed which is acceptable so most of the things which we do with our customers do span

around few months let us say 6 weeks to 8 weeks to 6 months that is the kind of area we work on.

: The problem is simplifying complexity, how good is that, is it does not really do that?

It is very, very effective that is why customers globally will push for that and I think I would recommend that you can go and have a look at the Global Low Code and LCAP markets and how the complexity is, because it is a very large technical area, this may not be the right forum to talk about.

: I am trying to understand from the non tech users particularly they are using a software would they will be able to use it with ease.

Sure, it is very participative, so they are able to.

: Thank you.

: Thank you. The next question is from the line of Mayank Makkar from Myras Fincap Private Limited. Please go ahead.

: Firstly, I want to ask, there is a very high other income this quarter why is the reason for that and secondly with respect to low code platforms typically what are the competitors that you think globally you have because primarily most of your sales are to global customers rather than to Indian customers and whether the technology in itself is very replicable kind of technology that means that any other software company can replicate the platform in whichever manner possible is there something unique that is provided by Newgen?

I will take the low code issue. The global low code competition for us is companies like Appian, Pega and then there are companies also like ServiceNow Out Systems, these are the companies who play strongly in the global low code. Now the entry barriers for any new company to enter this is very, very high because if you look at any horizontal product play, you only see companies have invested in that technology for at least 15-20 years. So most of the other companies you see in this competition are the companies who have started somewhere around 20 years back and are now recognized in these areas so Newgen is one of those companies where we have spent many years on what we call it BPM, low code or any other names which comes in future but the code underlying technology stacks is what we have built over 20, 25 years. So there is a huge entry level barrier, so if a company starts today trying to enter this area I think maybe 15 years before you see their name being recognized in the market. So product companies have a huge entry barrier. On the higher other income, I think I will ask for Arun to answer that.

: High other income is majorly on account of the forward cover, which we have taken in the current quarter and this is basically the mark-to-market gain which we have recognized in the other income. So increase on account of that for the future contracts which we have already contracted to plain vanilla forward. Thank you.

: Thank you.

: Thank you. The next question is from the line of Hardik D Sangani from ICICI Securities. Please go ahead.

: A couple of questions in terms of the relative supply side issues, which are coming up in mainly software development or IT services market so how are we seeing those trends and any major hikes or payoffs which we are planning to give in this particular year? Secondly, in terms of the GSI deals that you were talking about so earlier you had mentioned we have approximately 40 cases so how has been the conversations around closures or any major conversions which can potentially happen in next couple of services? Thanks.

On the supply side, for the whole industry there is a supply side issue in terms of cost of people and there is a higher attrition rate. We are also finding our set of challenges out there and we have taken a series of steps to control them. In fact earlier we had discovered some challenges earlier and last November only we had revised and given a substantial increment to our people. We have also done increments for many people in April and I think we are now also contemplating that there will be some increments happening in this quarter as well for a large part of our people. So we are looking at various strategies to address it. I think, we believe that in next two quarters it will stabilize but right now yes on the supply side there is an issue. On the GSI comment, we had given some indicative numbers last time. I think that funnel has grown by another 10%, 15% in a quarter. We do see positive growth and momentum in that funnel, but right now the funnel prices are not such large that we can predict, make exact predictions about that. Last quarter we got one very important deal in Europe through one of the largest GSI. This quarter we are expecting to close at least at least more than three, four deals, and let us see because right now the funnel is not that large that it can do exact prediction but we do expect this year to close around more than 10-15 deals on the GSI side.

: Just another last question from my side, earlier in the opening Mr. Nigam mentioned increased investments in R&D and product development and also for on-shoring in the developed economies so if you can provide me further comments or is there any specific commentary around where exactly would we be making those investments?

I think we are always in that mode, but I think one of the primary investments we are doing is all around mature market, which is either in U.S., Europe Australia and we have done substantial investments and we are looking at opportunities in investing in marketing out there, in product management and also expanding the sales team out there. So this is a continuous one and over the next few quarters we are even thinking of expanding it further. So that is the area and most of the investments on the product and all are already in place, we will continue doing those in the next 2 to 3 years, but on the sales and marketing side we will be slightly more aggressive in coming couple of years, but they will be predominantly in mature markets and in that also predominantly in U.S. and Europe.

: Got it. Thank you and that is it from my side.

: Thank you. The next question is from the line of Ronak Ajit Jain from Jeeto Advisors LLP. Please go ahead.

: Actually, I need to ask you about the vision, expansion of company further in 5 years please?

Future vision and expansion what we are doing?

: So, actually I need to have the expansion plans, where the vision looks like?

On the expansion side as you know that we have built this company from India, Middle East Africa and APAC and last 4 to 5 years we started investing in mature markets, so most of our goals around next 5 years are around expansion in mature market and there are two strategies we are focusing on, in certain core verticals like banking and financial services we are going direct and having large presence of direct sales team, but the other most important driver for us is to build the global partner ecosystem, most of the product companies beyond a size of $100 to $ 200 million do grow strongly through a partner ecosystem and that is what we are investing in and we hope that in the next 4 to 5 years.

: Do you have any acquisition plan for future?

We have not formalized any plans on that. Once we have any plans on that we will surely come back to that, but right now our own market and market opportunities are quite big. We are aggressively focusing on tapping into that and with the Global System Integrator showing traction and we are trying to position to larger Fortune 2000 company, I think our work for next 4 to 5 years is quite chalked out and that is where we are trying to invest. We hope that in the next 4 to 5 years around 70% of our revenue start coming from mature markets and the rest 30% from the emerging market.

: That is great. Thank you.

: Thank you. The next question is from the line of N G Puranik from Enam Securities. Please go ahead.

: You talked about Credit Union as a large market opportunity. What is your go-to market strategy? What kind of partnerships you have and how do you make it work? Since it is large market, and a small size, each credit union may not be very large accounts, but smaller accounts, but there will be a large number of smaller accounts, so how do you read this, who are the partners?

As I said when we were talking about credit unions we were talking specifically about U.S. financial services market which are typically banks and credit unions and we target banks with somewhere around the asset sizes of 2 billion to 50 billion and then credit unions also which has asset size about a billion, all the way up to 50. So, let me first try to explain. There are roughly, if I am right around 300 such credit unions who fall in that and roughly around 900 such banks. Our go to market is very direct. There are already 30 to 40 customers of such type, we have solutions in the areas of commercial lending, retail, digital on-boarding, we are selling these directly through our direct sales presence out there. Our alliances are the alliance ecosystem. The alliance ecosystem could be the cornerstone of the world, the digital signing players, the core banking guys, FI Serve and all, there is a lot of alliance, we have 40-such alliance ecosystems which we have built, but these alliances are not the sales alliances out there, they are the ecosystem for getting the system ready for that market, our sales out there is quite direct. Does that answer your question?

: How do you motivate these guys because I have seen a lot of companies build partnerships, but motivating them to do deals because sometimes it is too smaller deal for them?

Let me again repeat myself, we do not have partners. This market is direct for us. For partners we are only targeting Fortune 2000 Companies - that is a separate segments, this market of 1200 accounts is through my direct sales team because the deal sizes out there are varying anywhere between 200k, 300k or it can be around 500k, so it is not very lucrative for partner ecosystem play, but for our direct ecosystem once we enter the account we have more solutions to sell so it is a direct sales strategy for us.

: So, what are the other solutions you will have, multiple solutions you said?

In lending we do a lot of things both in commercial and the retail side. We have solutions in cash, we have solutions in digital on boarding, it a very interesting used case out there, digital origination, opening of accounts.

: So, that can be probably accounts of a million dollar?

The potential of these accounts can go up an annuity of 600K to 800K, less than a million dollar because they are not really big, larger banks, but that is the potential. They do not have a potential to grow up to $2 billion kind of annuity, I think I would say that they have potential to grow around like 800k, 900k kind of.

: You said you have about 30-40 such accounts?

Yes, we already directly we have, already broken into US market, we have got overall around 60-70 customers with 30-40 of these being banks and credit unions over last 3 years.

: So, every year a couple of 100 accounts can come into your kitty?

The potential to get around 60 to 70 accounts is there. Today, we are targeting roughly around 15-20 and over few years we will have to grow to that number.

: These are all subscription account, cloud?

These are all cloud based subscription accounts.

: When you say $600000 revenue per account that means over in lifetime of the projects or the annual you are talking about?

I am talking of basically the first order can be around 600k, which is around 300k of annual subscription then once you sell more solutions then the overall annuity can go up.

: And you can go again back to sell?

We can keep on growing as you have more solutions.

: Thank you.

: Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

: I think also we could not hear you too well the competitors that you mentioned ServiceNow is one name we got, what was the other name is if you could just speak a little bit slowly?

Appian Software, Pega Systems, there are also horizontal completely low code, which is called Mendix and Outsystems.

: So, one question may be for the CFO, the balance sheet we saw just I am trying to understand the business of advance customer of billings of about Rs 104 Crores last year, I am not sure we understood what it meant and the services model has this in future?

: Could you clarify exactly what you are referring to because it is difficult to understand?

: This line item on the balance sheet because advance from customers and billings of about Rs 104 Crores, this is something which this is what we got from the balance sheet just wanted to understand what that meant?

: I am sorry we are not able to pinpoint on that.

: Are you talking deferred is not it?

: Yes, deferred revenue.

: So, how does that work if you could explain please?

: Deferred revenue is that when we are billing for example for annual maintenance contracts so there I think we are billing for a one year period and whatever period falls in the next year or next quarter accordingly that revenue is shown as deferred. A good chunk of the deferred is basically on account of this annual maintenance contracts and some amount of cash billing also.

: The cash comes to you upfront is it?

: Yes, cash comes to us as upfront as soon as we bill according to the payment terms cash comes to us.

: Second thing there is a margin money of Rs 30 Crores as well, is this for performance guarantee or something like that for your solutions?

: Which line item you are talking about is 30 Crores?

: Rs 30 Crores, yes, I will get this in offline, I understand that is okay.

: You can come back with the question, we will explain to you.

: Thank you.

: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

: Thank you so much for joining us for the call. For any other questions you can connect to me or you can look at our website. Thank you.

: Thank you. On behalf of ICICI Securities that concludes this conference. Thank everyone for joining us. You may now disconnect your line.